

Remarks of Robert B. Zoellick
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WTO Second Global Review of Aid for Trade
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Introduction

It's a great pleasure to be back at the WTO for this conference on Aid for Trade.

I'd like to thank my good friend and former colleague Pascal Lamy for organizing this important event at this critical time.

I also want to take this occasion to congratulate Pascal for being re-elected unanimously by the WTO General Council. Pascal's leadership, experience, and vision have been, and continue to be, fundamental to navigating trade negotiations and serving all the WTO's members. We could not ask for a better person to be leading the WTO at this vital moment.

The Global Context

We are in the midst of the most serious global financial and economic crisis in 70 years.

The figures are grim: between October, 2008 and April, 2009, Central and Eastern European exports were down 35%. East Asian exports down 25%. Latin American exports down 20%.

The large fall in trade reflects a more integrated world where a significant amount of trade is occurring within global supply chains. Each dollar of exports contains more imports than previously – so contracting consumption in high-income countries has a magnified effect on exports from developing economies.

Even when we do begin to see recovery in output, the recovery in employment is likely to lag behind by some 12 to 24 months.

Protectionism

So the politics of trade won't get easier in coming months.

To date, instances of protectionism have been a low grade fever rather than a full-blown influenza. But the temperature of the fever has been rising.

High-income countries have used subsidies for troubled industries, while low-income countries are using selective increases in border barriers.

These trends could easily spin out of control in coming months as unemployment rises, and one country feels compelled – “tit-for-tat” – to respond defensively to the policies of another.

The United States' "Buy America" provisions are an example that has received some attention; as local governments in the United States began discriminating in procurement, Canadian localities started to respond in kind. Both countries suffer.

And China has adopted "Buy Chinese" provisions as part of its government stimulus program.

Shortly after the European Union reimposed subsidies for some dairy exports, the United States followed suit with its own dairy export subsidies.

Government leaders need to recognize that they are playing with fire.

Protectionism is particularly damaging to developing countries, especially to those with weak fiscal positions and those that depend heavily on exports of a small number of products. Garments, for example, comprise more than three-quarters of Bangladeshi and Cambodian exports.

So even when global growth recovers, protectionist actions that prevent developing countries from benefiting from the pickup will protract the suffering.

This need for restraint against trade barriers applies as much to developing as high-income countries. South-South trade is becoming increasingly important: One third of Africa's exports go to developing countries.

Doha

When I was the U.S. Trade Representative, I always felt it was far better to be on "offense" rather than "defense" – to be debating how to further open markets rather than just beating back protectionist measures.

The successful completion of the Doha round would be the best way to concentrate attention on opening markets. And there is a good deal on the table right now.

From a development perspective, the Doha agreement would provide important disciplines on agricultural subsidies that depress incomes of poor farmers, lower tariff peaks that protect labor-intensive manufactures, and curtail tariff escalation that discourages value addition in developing countries. Even for those countries that are not expected to lower applied levels of protection, the reduction in tariff bindings provides insurance that markets will stay open. The value of this insurance has become much more obvious as protectionist pressures rise.

There are also benefits to be gained from lower prices for imports and more competitive services. Trade barriers usually are defended by those with preferred positions: it's the families without special influence who are hurt the most.

The key WTO Members need to step up. Leading developed countries have a responsibility to try to solve the remaining problems, but the developing world's engagement is critical, too. All of you now have the opportunity to shape the multilateral trade architecture for a generation to come.

The WBG's Aid for Trade Agenda

The World Bank Group's aid for trade work recognizes that lower trade barriers and trade agreements need to be combined with stronger "hardware" and better "software" to boost trade.

We can help with the "hardware" of ports and infrastructure.

But the World Bank Group can also assist with the "software" of clear customs rules. Support for logistics chains and standards. Trade Finance. And developing a better climate for private business.

Building economic opportunity through trade also involves helping people -- especially the poorest and hardest hit -- to adjust to new circumstances.

The World Bank Group's total lending and investments for trade have doubled from about \$10 billion a year during 2002 to 2005 to an average of \$20 billion a year in 2007 and 2008.

Our aid for trade lending to low-income countries is funded through our International Development Association, or IDA, which provides grants and no-interest loans for the 79 poorest countries. IDA's aid for trade financing has risen from \$2.4 billion a year from 2002 to 2005 to an average of \$3.9 billion for each of 2007 and 2008. And we've increased the number of projects dramatically -- to 123 a year. More than one-third of this lending is for sub-Saharan Africa.

The World Bank Group as a whole increased trade-related lending to middle income countries from an average of \$6.6 billion a year from 2002 to 2005, to an average of \$12.6 billion in 2007 and 2008.

This May, for example, the Bank launched a \$250 million Integration and Competitiveness project in Tunisia. The project is designed to improve competitiveness by reducing trade costs and improving the business climate -- including through streamlined border clearance procedures and e-government.

IFC, our private sector arm, has added another \$3.4 billion a year in 2007 and 2008 in investments related to trade. IFC is particularly focused on building new productive capacity in low-income countries, especially in Africa. "Crowding in" the private sector is going to be essential to keep trade flowing.

But success in aid for trade goes beyond simple dollar numbers. Technical assistance, analysis of policy options, and sharing learning about what works for trade may be less quantifiable -- but they are critical. Think of it as the "technology transfer" of trade.

For example, countries can benefit from training to upgrade the skill levels of their civil servants, tackle problems of corruption, and set up systems of accountability and performance standards.

Opportunity Out of Crisis

This crisis can be an opportunity.

First, it's an opportunity for innovation.

When trade finance began to dry up last year, strangling exports and imports around the world, the Bank Group worked together with Pascal Lamy and the WTO to help to mobilize additional resources.

We first boosted trade credit guarantee coverage to \$3 billion for developing country banks, many of them in Africa. Then we launched a \$50 billion Global Trade Liquidity Program in support of trade finance over three years.

This afternoon Pascal and I will be pleased to host a signing ceremony that will commit the first \$2.5 billion of public and private funds to this program. This will help leverage additional funds. For every 40 cents invested by the Bank and its public partners, the commercial banks will put up 60 cents more.

Together with the UK, the Netherlands, and Sweden, the Bank Group also launched a new Trade Facilitation Facility at the WTO-COMESA aid for trade conference in April.

The first projects will target areas such as improving the Chirundu border crossing between Zimbabwe and Zambia, creating customs value databases for LDCs in Southern Africa, and building the capacity of the Abidjan-Lagos corridor organization.

Second, the crisis offers an opportunity to develop new partnerships – especially with the private sector. Who better to help us with trade facilitation than traders?

We already have some good examples of productive partnerships with the private sector at the global level, notably with international logistics and express companies.

We just had a meeting at the World Bank Group with private investors in Africa, for example, where we agreed to pilot new approaches to facilitate transit trade on the Abidjan-Lagos corridor in Nigeria. We'll start with the actual shipments of such companies as Diageo, Lafarge, and Unilever.

The crisis has revealed the importance of working with civil society too. A good example is the Global Trade Alert initiative, a web-based tool that draws on inputs by trade policy institutes from around the world to provide real time information on new trade-distorting measures and barriers.

Third, the crisis can provide a political window of opportunity to address long-standing bottlenecks to competitiveness.

Through our Doing Business and Logistics Performance Index, for example, we are both raising awareness of the importance of reforms for trade competitiveness, and especially trade facilitation, as well as identifying key bottlenecks.

The payoffs can be large. For one major trucking company in Kenya, for example, improvements in trade and transport facilitation have translated into a 50% increase in vehicle utilization – from 8,000 km to 12,000 km per truck per month.

In all these areas, we are gaining knowledge, sharing experience, and identifying problems to fix. We also recognize that we have a lot still to do.

Results

The real successes in aid for trade are in results:

In Mali, mango growers have seen an increase in the volume of fruit exports to Europe after the Bank Group helped improve practices in mango production, quality, and commercialization. Now rural smallholders can revive abandoned orchards and raise their incomes.

In Morocco, garment exporters have benefited from improvements made by the government, with the Bank's support, in trade facilitation, transportation, and logistics, which have reduced transport times to European markets.

In East Africa, most trucks clearing the Malaba border between Kenya and Uganda now wait 3 hours instead of 3 days. This is a result of the one stop border post concept, and modernization and interconnectivity of customs systems. This work also includes simplified processes at the Port of Mombasa in Kenya and road rehabilitation along the Northern Corridor.

We've seeing similar results in other parts of the world: improved competitiveness in Mauritius by reducing trade barriers; more efficient processing of goods through customs in Laos and Cambodia after a major customs reform project; soaring customs revenues and reduced waiting time for trucks in Afghanistan after a Bank project helped modernize major border crossings.

Conclusion

Our predecessors forged a modern open trading system out of historic adversity. The financial crisis we face is also historic. We must strive to continue on the same path of openness, so our successors can realize the advantages of globalization.

There are many planks upon which recovery will be built – and trade is one of them. Trade was one of the first sectors decimated by contracting consumption in high-income countries. But it will also be one of the first sectors to recover once the global economy picks up steam. Those countries that position themselves now to take advantage of renewed trade will accelerate out of recession with the fastest momentum.

All this means that your efforts at promoting aid for trade – and in keeping markets open during the current global crisis – have assumed a new urgency. Our shared efforts to boost aid for trade and to help the workers, farmers, and consumers engaged in trade will pay dividends in expanded opportunities, lower poverty, and higher growth.

The World Bank Group will work hard to be your partner. Please help us to help you.

For the Trade Ministers and Ambassadors and officials here, just think of all those times when you wanted the keys to your Finance Ministries. Well, a Trade Minister colleague is at the helm of the World Bank! So let's not waste the opportunity!